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POCKETS OF POVERTY

by

Helen B. Shaffer

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POCKETS OF POVERTY

A RISING CURVE of prosperity in the United States during the past decade has tended to obscure the persistence of sizable pockets of genuine poverty. While most of the nation's families have experienced a steady improvement in economic circumstances, many others have suffered serious setbacks; some have never reached a level of income that is sufficient to provide the necessaries of life. Aid-to-the-poor programs, adopted for the most part as depression measures 20 years ago, still supply relief to millions of needy individuals without bringing them into the orbit of national economic growth where opportunities for self-betterment lie.

Now a new national program for the bottom-income groups is in the making. It differs from poor relief of the past chiefly in that it is backed by a prosperous, expanding general economy; it is directed at the hard core of poverty, or at specific areas of local depression, rather than at the population as a whole. The goal is not so much mitigation of an individual's immediate distress as creation of opportunities for economic self-improvement.

The administration is advocating an extensive program to enable the long-time poor of farms and cities to share in the general prosperity. Numerous bills are before Congress to carry out such objectives. Established agencies of government, chiefly bureaus in the Agriculture, Commerce, Labor, and Health, Education and Welfare departments are already offering a limited amount of technical assistance aimed to promote economic rehabilitation of low-income areas.

Concern Over Low-Income Groups in Population

Concern has been growing over the failure of certain segments of the population to participate in the country's general prosperity. In his economic reports to Congress

in January 1955 and January 1956, President Eisenhower directed attention to the low-income problem and asked concrete action to help solve it. He forwarded to Congress in April 1955 a Department of Agriculture study of the low-income farmer, *Development of Agriculture's Human Resources,* which contained a 15-point program for federal, state, and local action.

The Subcommittee on Low-Income Families of the Joint Committee on the Economic Report undertook investigations of poverty in the United States, in 1949 and 1955, in an effort to determine its causes and extent and explore means to wipe it out. A number of state universities and other academic or governmental institutions likewise have studied low-income situations in various localities.

Interest in the problem is aroused only in part by humanitarian considerations. All recent studies recognize that poverty, even on a limited scale, is a drain on the national economy. The entire population would benefit if poor earners could produce more and increase their purchasing power; national income and national wealth would be swelled and substantial new markets for consumer goods would be created.[1]

The Subcommittee on Low-Income Families sees in its area of study the last of the great economic frontiers in America. In its first report, six years ago, it observed: "Just as the industrialization of undeveloped countries during the 19th and 20th centuries provided expanding markets and rising living standards for the western industrial nations, so the development of the low-income market will raise the standard of living of the whole American nation." [2] In a more recent report the full Joint Committee said: "The continuing prevalence of families and individuals with low economic status . . . represents . . . one of the greatest remaining challenges facing our domestic economy." [3]

Many surveys point out that poverty, besides being costly to the nation in terms of lost productivity and purchasing power, places a heavy burden on the producing members of

[1] The Department of Agriculture estimated in 1949 that if all farmers with cash incomes below $2,000 earned another $1,000 apiece, more than a billion dollars would be added annually to the consumer goods market. If all families earned enough to attain the per capita food consumption level of 1935-39, the domestic demand for food would increase by 7 per cent or $3.5 billion at 1948 prices.

[2] *Low-Income Families and Economic Stability* (1950).

[3] Joint Committee on the Economic Report, *A Program for the Low-Income Population at Substandard Levels of Living,* Jan. 5, 1956.

society, who have to support the needy. The social cost of poverty shows up also in crime, sickness, and draft rejection rates.[4]

INDICATIONS OF EXTENT OF POVERTY IN NATION TODAY

A precise definition of poverty in modern American society has not been drawn up, but all studies indicate that 20 years of social welfare legislation and more than a decade of prosperity have failed to obliterate the condition. According to one observer, "The misery in some of the worst areas of American poverty is . . . greater, relative to the rest of the population at least, than that in most any of the European countries"; much of it "appears to be persistent, continuing from generation to generation in the same areas." [5]

Cash income provides the most ready index to a family's economic status. However, the living standards made possible by a certain amount of cash income depend on the size and composition of the family, the age and state of health of the family head, the place where the family lives, and the extent of the family's non-money resources. Poverty has been said to exist "to the extent that available resources fall short of needed total expenditures." [6] Social workers customarily take into consideration the individual needs of each family when working out a subsistence budget for relief clients.

The President's January 1955 economic report observed that a family with an annual cash income of less than $1,000 must "by current standards" be considered "poverty-stricken." Most studies consider the sum of $2,000 a year the minimum needed by a family for bare subsistence. According to the latest Census Bureau report, 3.7 million families (comprising 8 million to 9 million persons), and another 4.4 million individuals living alone, had cash incomes of less than $1,000 in 1954. A total of 8.3 million families, and 6.2 million single individuals, had incomes below $2,000. Nearly one out of ten families received less than $1,000, and two of ten families less than $2,000.

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[4] States classified by the Department of Agriculture as having substantial numbers of low-income farms had a 50 per cent higher rejection rate in the World War II draft than other states.

[5] Howard B. Myers, research director for Committee for Economic Development, testimony before Subcommittee on Low-Income Families, Nov. 18, 1955.

[6] Howard R. Bowen, president of Grinnell College, testimony before Subcommittee on Low-Income Families, Nov. 18, 1955.

Slight cash gains made by bottom-income families, as a group, between 1948 and 1954 were more than wiped out by increases in the cost of living. In terms of 1948 dollars, the percentage of families receiving less than $1,000 a year did not change, while the percentage of those receiving between $1,000 and $2,000 declined slightly. Gains made by families who were in the $1,000-$2,000 group in 1948 reflected wage increases; because the under-$1,000 families generally are not dependent primarily on earnings for subsistence, their cash income situation changed little in the six-year period.

Another indication of the extent of poverty in the United States is the number of individuals on public assistance rolls. In September 1955 recipients of federal and state aid requiring a means test numbered 5.4 million; the great majority were old people and children in families without breadwinners.

A forthcoming study,[7] financed by the Franklin D. Roosevelt Foundation, will show that 6.4 million urban "consumer units" had insufficient resources in 1950 to meet individual needs at an adequate level of living. The units included 19.5 million persons, of whom more than seven million were children under 18 years of age. Another two million families with inadequate resources were partially or totally supported by relatives. Substandard "consumer units" constituted one-fifth of all urban families.

The Department of Agriculture has reported that more than one-fourth of the families who live on American farms—1.5 million in a total of 5.4 million—take in less than $1,000 a year and may be considered poverty-stricken. Price-support programs are of little assistance to such families, because production per farm is too low to bring in more than a few dollars from that source.

Seasonal farm workers are among the poorest groups. In the peak month of September about 1.4 million persons are employed in seasonal farm work and related food-processing activities. Recent Department of Agriculture studies of seasonal workers in the South and Southwest showed average daily earnings of around $5, but the annual earnings of male heads of households ranged from only

[7] *Freedom From Want.* Findings reported by staff of Subcommittee on Low-Income Families in *Characteristics of the Low-Income Population and Related Federal Programs* (1955), p. 43.

$827 in Arkansas to $1,256 in New Mexico. Migratory workers usually make more a year than seasonal workers who confine their activities to one area. A study of migratory workers along the Atlantic coast showed that adult males between 35 and 44 years of age averaged $1,734 for 253 days of employment.

General Characteristics of Low-Income Families

Families living on substandard incomes may be found in every part of the country. Personal circumstances, such as poor health, widowhood, and retirement because of old age, may hold down the income of a family anywhere by restricting opportunities for gainful employment. A significant number of the poor, however, live in communities where jobs offering adequate wages are scarce. Others belong to families whose heads lack the skills required for well paid jobs, or they may operate marginal businesses or farms.

Recent studies of the characteristics of low-income families have been aimed at determining how much poverty results from irremediable personal circumstances; how much from inadequate job opportunities; and how much from deficiency in skills. In cases of the first kind, a family's economic position can be improved only by direct assistance, but in the other cases it may be possible to increase the earning power of the family head.

The 1950 census indicated that approximately 5.7 million families with incomes under $2,000 lived in non-farm communities. The family head in one-half of the families was not in the labor force; many of them were old persons or mothers of small children. In slightly fewer than half of the low-income non-farm families, the head was employed in a low-paying job.

Some 2.5 million urban families had incomes of less than $2,000 even when the heads of the families were employed. The low income in those cases was attributable to the poor earning capacity of the family breadwinner or to the lack of good job opportunities in the community. Three-fifths of the family heads in this income bracket worked in factories, the service trades, or as laborers; most of them were unskilled or semi-skilled workers. About one-fourth were craftsmen or were employed in clerical or sales jobs. Around 13 per cent owned small businesses.

Unlike the low-income city family, nearly all of the farm families at the bottom level of income in 1950 were headed by a working member. Heads of only 360,000 of the 1.5 million farm families with incomes under $1,000 were unemployed or not in the labor force. A relatively large proportion of the farm operators in this group were of an advanced age, and their farms tended to be small. The income problem among the poorer farm families seems to be due primarily to low productivity of land and to lack of off-farm employment.

Low-income groups in both country and city have a greater concentration of old people and of children than families that are better off. Approximately 45 per cent of the individuals living alone on incomes of less than $1,000 are aged 65 or over; the heads of nearly one-third of the families at this income level are in the older age category. Figures are not available on the number of children in low-income families, but the Census Bureau reports that a relatively large number of minors are concentrated in low-income areas. About four million children belong to families headed by women, whose family income averages half that of the average for all families. The median income of American families declines as the number of children rises beyond two. Accordingly, it may be said that "Low-income families carry a disproportionate share of the responsibility for rearing the nation's children." [8]

Conditions Producing Low-Income Families

THE LOW-INCOME FAMILY is essentially a deprived family. Its members do not have enough money to supply necessities. In many cases they live in a community which is deficient in schools, health services, and other public facilities. Even when a low-income family resides in a fairly prosperous city, attitudes in the home and neighborhood may keep it moored to inadequate standards of living.

Many persons believe that the key to the low-income problem lies in education, both general and vocational. All

[8] U.S. Children's Bureau, *Children and Low-Income Families* (1955).

studies indicate that low income goes along with poor education. Not only have the parents had little schooling, but the children also tend to get less education than the offspring of more favored families.

The U.S. Office of Education has said that the most important single factor in determining how far a youth goes in school is the income of his father. It has been shown that children from low-income families are handicapped by family attitudes which offer no incentives to academic advancement.[9] Children in low-income areas are frequently taught by teachers whose own schooling may be below standard. Even in better school systems, the type of schooling offered may not equip pupils from poor families for the kind of employment available in their communities. Educational shortcomings are particularly marked among poor families in rural areas.

Self-Perpetuation of Poverty in Rural Sections

Although the farm family can usually get along more comfortably than the city family on a small income, it is more remote from the many public services available to the needy in urban centers. In numerous areas of the United States, particularly the South, some farm families have lived at a bare subsistence level for generations. President Eisenhower has described as follows the corrosive effects of long-standing poverty on the American farm:

> Curtailed opportunity begets an economic and social chain reaction which creates unjustified disparity in individual reward. Participation diminishes in community, religious and civic affairs. Enterprise and hope give way to inertia and apathy.[10]

Out of 5.4 million families operating farms in 1950, 2.8 million netted annual incomes of less than $2,000 a year from all sources. Two-thirds of the 1.5 million families with less than $1,000 a year lived in the South; one-third of the poorest southern farm families were Negro.[11] Causes of poverty on the farm are manifold. The land may be poor, the cultivated tract too small, the operation inefficient. High birth rates among poor farm families impose an inordinate drain on meager resources. Despite heavy migration from rural areas, poor farmers still support a rela-

[9] A. B. Hollingshead, *Elmtown's Youth* (1949).

[10] Letter to Congress transmitting Department of Agriculture report, *Development of Human Resources*, Apr. 26, 1955.

[11] Southern Negroes make up only one-tenth of the nation's total number of farm families but one-fifth of the farm families receiving less than $1,000 a year.

tively large number of non-working children and aged relatives.[12]

Few low-income farms are mechanized. Families have not the funds or credit to buy machinery, or the terrain is ill-suited to its use. Inadequate health facilities are another factor that reduces efficiency. Lack of contacts with progressive elements of society results in attitudes unfavorable to economic advancement. Many poor rural families do not avail themselves of technical assistance offered them.

Only one-fifth of the farms in nine regions designated by the Department of Agriculture as "problem areas" sell more than $2,500 worth of produce a year. Production does not come up to that level on two-fifths of the farms, totaling one million in all, although they are operated by full-time farmers below the age of 65. In the remainder of the country it is only one-fifth of the farm operators, numbering scarcely half a million, who sell less than $2,500 worth of produce a year.

Problem-area farmers average seven years of schooling, and only one in ten is a high school graduate; among other farmers average schooling is 8½ years and one in four is a high school graduate. Family cropland in problem areas is usually small, averaging 40 acres compared with a 120-acre average elsewhere. The problem areas contain four-fifths of the nation's sharecroppers.

The Agriculture Department divides the problem areas into "serious, substantial, and moderate" according to the degree and extent of poverty.[13] The "serious" group includes 562 counties in 16 states—all southern or border states—which contain 1.1 million farms, nine-tenths of which have annual sales of less than $2,500. With a total population of 13.5 million, the most serious areas are almost entirely rural and have no cities with as many as 150,000 inhabitants.

Economic Dislocation in Distressed Communities

Many urban families whose incomes have lagged behind those generally prevailing live in so-called distressed com-

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[12] In 1950 the dependency ratio—that is, the number of individuals past 70 and under 15 per 100 persons—was 80 in farm households of the Southeast, where poverty is most prevalent, compared with 65.2 in other areas.

[13] The nine problem areas combined include 1,209 counties in 27 states.

munities, once prosperous towns or cities which have suffered economic setbacks. Others reside in small communities which economic expansion has bypassed.

Among special causes for local economic decline cited in the President's 1956 economic report were "dwindling market for products in which a community has specialized, the removal of one or more of its key firms to other places, a lag in the technology of its principal industry, or the depletion of natural resources on which the local economy is based." Severe spot unemployment may persist under such conditions even when there is full employment elsewhere. The displaced workers soon exhaust available unemployment compensation, the tax revenue of the community declines, the young people leave for greener pastures, and general stagnation ensues.

Development of pockets of depression may be viewed as an inevitable component of a dynamic economy. "The very process of growth itself, along with the attendant changes and improvements in technology, now produce and inevitably will continue to produce some dislocation and imbalance of local resources." [14] Such areas of local distress may develop in the most prosperous states; New York, which has one of the highest per capita incomes in the country ($2,200), contains six or seven localities in which industry fails to supply sufficient employment for the labor force. These areas have suffered "shutdowns, capital migration . . . [and] loss of markets." [15]

Some towns or cities suffer because an entire industry is in decline. This is true of many communities dependent upon coal, fishing, railroading, or textiles. In other cases an industry may remain healthy while particular plants are removed to regions offering special advantages.

Sen. John F. Kennedy (D-Mass.) several years ago described conditions in parts of New England as typical of what has happened to older communities left behind in technological advances of recent years. He said in the Senate on May 18, 1953:

> Too much of New England is still dependent upon outmoded methods and customs of the past. Its principal natural resources,

[14] Joint Committee on the Economic Report, *A Program for the Low-Income Population at Substandard Levels of Living*, Jan. 5, 1956.

[15] Sidney C. Sufrin, director of the Maxwell Research Center at Syracuse University, testimony before Subcommittee on Low-Income Families, Nov. 22, 1955.

such as fisheries and forests, are being depleted. The fast-growing basic industries of the country are located elsewhere, for reasons of economic geography and resource development. Many communities have relied entirely upon one or two industries, whose decline in the world or national market could not be prevented. Machinery is old, management is old, methods are old. Too often government, management, and labor have resisted new ideas and local initiative.

The Labor Department last March listed 19 major labor market areas containing substantial surpluses of workers; prospects for additional employment there in the near future were slim. In addition, 64 smaller areas in 19 states were in the same unfavorable position. Many rural sections also may be regarded as areas of labor surplus to the extent that they have more inhabitants of working age than can be employed on farms.

Proposals To Help Low-Income Families

MUCH SOCIAL WELFARE LEGISLATION now in force was designed to place under the standard of living a floor below which no American family, regardless of personal misfortune, would be allowed to fall. Many poor families today are beneficiaries of the systems thus established—social security, public assistance, unemployment compensation, and so on—but the amounts they receive are no longer adequate to assure an acceptable standard of living. Because the level of benefits has not kept pace with the cost of living, and because coverage of the systems is still incomplete, there is continuing pressure to liberalize and extend the programs.

In recent years the emphasis has moved from the goal of merely providing adequate cash benefits to include the objective of improving a poor family's capacity to better its condition. The currently prevailing note in proposals for relief of the poor is rehabilitation of productive capacity—to make "unemployables" employable; to convert poor earners into good earners. In particular, education and vocational training of young people is looked to as a means of breaking the chain of circumstances which tends to make poverty self-perpetuating in many families.

The Joint Committee on the Economic Report holds that the number of persons depending on direct assistance for support could be reduced if "provisions against income loss are expanded, preventive and curative health care services and health information are made increasingly available to low-income groups, and the productive capacity of the families and individuals are [sic] increased by means of greater educational and training opportunities, application of vocational rehabilitation measures, and so on." [16]

To that end the committee recommended (1) payment of social security retirement benefits to totally disabled workers at as early an age as 50 years;[17] (2) extension of health facilities to remote areas and of federal aid to low-income families for purchase of health insurance; (3) establishment of a uniform system of public assistance grants to the states that will modify existing restrictions on eligibility for relief; (4) extension of federal aid to the states for public school construction,[18] expansion of vocational guidance in the schools, and expansion of adult education; (5) creation of national scholarships for qualified students who could not otherwise go to college; and (6) intensification of efforts by federal-state employment services to find jobs for older workers.

Promotion of Rural Rehabilitation Programs

The Department of Agriculture report submitted to Congress on Apr. 26, 1955, made 15 proposals to improve the earning capacity of low-income farmers. The report noted that present general farm-aid programs failed to reach these farmers. It suggested that their situation could not be alleviated without taking steps to rehabilitate their land and improve their farming methods. In many cases, however, a partial or complete shift to non-farm pursuits would be necessary.

The report proposed that existing federal programs, such as the agricultural extension service, farm management and marketing research, instruction in sound conservation practices, vocational training, and rural employment services,

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[16] Joint Committee on the Economic Report, *A Program for the Low-Income Population at Substandard Levels of Living*, Jan. 5, 1956, p. 14.

[17] Such disability benefits, approved by the House last year, were omitted from the social security revision bill as reported recently by the Senate Finance Committee. Efforts to restore the disability provision will be made on the Senate floor. See "Social Security for the Disabled," *E.R.R.*, Vol. I 1956, pp. 219-236.

[18] Enactment of a school construction aid bill has been held up by the threat of Rep. Adam C. Powell (D-N.Y.) to insist on an amendment denying aid to schools not yet racially integrated.

be expanded and adapted to the needs of low-income farmers. Development of new techniques to draw farmers unacquainted with such services into rehabilitation activity was suggested.

Secretary of Agriculture Benson set up a departmental committee last summer to work out a detailed program for low-income farmers. About the same time an interdepartmental committee, representing the Agriculture, Commerce, Labor, and Health, Education and Welfare departments, was formed to coordinate various activities of those agencies in depressed rural areas. The federal activities consist mainly of technical assistance work and promotion of state and county programs.

Representatives of 28 land-grant colleges, meeting with federal officials at Memphis in June a year ago, recommended that each state create an advisory committee to foster activities to aid low-income farmers. It was suggested that the key persons in such a program should be the deans of agriculture in the state colleges or universities and the county agents. Many subsequent developments in low-income areas grew out of the Memphis meeting.

The Department of Agriculture recommended establishing at least 50 pilot programs in different localities to demonstrate what could be done in a practical way to overcome typical obstacles to improving the low-income farmer's condition. By March 1956 approximately 40 counties in 16 states had initiated such pilot projects, and at least 27 states had reported that they either had started long-range rural development programs or had made plans to do so.[19]

Action in Congress to Aid Low-Income Farmers

Only four of the proposals made by the Department of Agriculture in its April 1955 report required action by Congress. Legislation was necessary to:

1. Authorize the Farmers Home Administration to make loans to part-time farmers and to farmers whose holdings were not large enough to support their families.

2. Increase the lending authority of the Farmers Home Administration by $30 million to supply funds for such loans.

3. Authorize the Department of Agriculture to set up special funds for pilot programs for low-income farmers.

[19] *Rural Development Program News*, an information bulletin issued monthly by the Department of Agriculture since last August, reports extensive cooperative efforts by agriculture officials, chambers of commerce, civic clubs, educators and others to carry out local rural rehabilitation programs.

4. Make additional appropriations to finance extension of various established Agriculture Department activities into the low-income field.

Congress last year appropriated an additional $15 million for loans by the Farmers Home Administration, and a like sum is carried in the Agriculture appropriation bill for fiscal 1957. Marginal farmers cannot now qualify for such loans but a bill favorably reported by the House Agriculture Committee, June 1, would authorize lending to part-time and other small farmers and would increase from $15 million to $65 million the Farm Home Administration's revolving fund for "economic emergency loans."

The $890,000 carried in this year's Agriculture appropriation bill for the low-income program is only one-third of the amount requested. Of the total, the sum of $390,000 is slated for grants to the states for special extension services in low-income areas; the remainder is to be used chiefly for technical aid in soil conservation by low-income farmers and for research in low-income farm management. Labor Department requests for $1,350,000 last year and $900,000 this year to expand rural employment services were rejected.[20]

Hearings were opened in mid-May on an omnibus farm credit bill, introduced by Sen. Hubert H. Humphrey (D-Minn.), which would aid the low-income group. Title VI of the bill, entitled "Family Farm Development Act," is described by Humphrey as a "crash" program to eliminate poverty in the nation's 500 poorest rural counties. It features 25-year loans at 3 per cent to enlarge and develop family farms through purchase of additional land, improvement of pastures or woodlots, or construction of farm facilities.

Each approved applicant for aid would receive a host of services, including an "operational analysis" of his farm to determine the best means of raising the family's economic resources, technical aid in putting the recommended rehabilitation program into effect, vocational training, and assistance in obtaining off-farm employment. The measure

[20] Members of Congress from states with industrial unemployment suspected that expansion of employment services in depressed rural areas would encourage migration of industry to cheap labor areas in the South. The House this year turned down also requests for funds (1) to establish a new policy-level post in the Agriculture Department to co-ordinate programs for low-income farmers, (2) to conduct research in occupational and marketing prospects for farmers on poor land, and (3) to set up a new information service geared to the interests of low-income farmers.

provides also for a broad-scale program to encourage location of new industrial plants in low-income rural areas.

SELF-HELP DEVELOPMENT ACTIVITY IN URBAN AREAS

Many witnesses before the Subcommittee on Low-Income Families last year pointed out that distressed industrial areas usually have latent resources which may point the way to economic readjustment if appropriate leadership can be developed and new capital obtained. "Surveys are needed to appraise and evaluate existing and potential local resources, in order to assess the area's capacity for future economic growth; new industries and expanding industries which can put local resources to economic use must be encouraged to establish plants in depressed areas; ways and means should be provided to assist low-income families who wish to migrate to other areas where there is a labor shortage; and assistance must be given to needy workers willing to undergo retraining in basic skills for which there is adequate demand." [21]

Considerable activity of this kind is already under way, much of it carried on by community development organizations established by local business interests and sometimes aided by state and local governmental agencies. The 1,000 or so development organizations raise funds for construction or rehabilitation of plants or other industrial facilities and shop around for industries to settle in their communities. Each of the New England states has a credit corporation to raise capital for such economic expansion. While much of the activity along these lines is not geared specifically to rehabilitation of distressed communities, it may create new job opportunities in or near those areas.[22]

Since March 1947 the U.S. Department of Commerce has maintained an Area Development office to supply technical assistance to state and local groups striving to open up job opportunities in labor surplus communities. The office has been operating recently on a budget of $120,000, but the pending Commerce appropriation bill for fiscal 1957 would triple the amount to $370,000.

Federal procurement policy has helped to create jobs in distressed communities by diverting government contracts

[21] Joint Committee on the Economic Report, *A Program for the Low-Income Population at Substandard Levels of Living*, Jan. 5, 1956, p. 11.

[22] See "Distressed Communities," *E.R.R.*, Vol. II 1954, pp. 775-788.

to areas of substantial labor surplus. Special tax amortization benefits, moreover, are available to employers who establish defense plants in those areas. The President noted in his 1956 economic report that "Although these programs have proved helpful, experience demonstrates that bolder measures are needed." The report recommended development of a new area assistance program based on four major principles: (1) Assignment to local citizens of major responsibility for planning and financing economic redevelopment; (2) insistence on permanent, not transitory, expansion of job opportunities; (3) conditioning of federal assistance on active participation by state and local governments or by community-sponsored development or credit corporations; and (4) refusal of federal aid for projects which would create unemployment in other areas.

Bills for Federal Aid to Distressed Communities

Sen. H. Alexander Smith (R-N.J.), with 25 Republican co-sponsors, introduced on Jan. 9, 1956, an "Area Assistance Act" which would carry out the administration's recommendations for encouraging economic development in areas of low employment. The bill, according to Smith, is aimed at relieving two types of unemployment: "The temporary or fluctuating kind which appears and disappears with the seasonal and other fluctuations in our economy, and the chronic or long-term which persists year in and year out in the midst of good times elsewhere in the nation's economy."

A bill of similar purpose, known as the "Depressed Areas Act," was introduced last July by Sen. Paul H. Douglas (D-Ill.) with seven Democratic co-sponsors. Extensive hearings on the Douglas measure were held by the Senate Committee on Labor and Public Welfare early this year; many of the sessions were conducted outside of Washington in communities suffering acute economic distress.

The Smith bill would establish a $50 million revolving fund for loans to local public agencies or private individuals, in areas of substantial and persistent unemployment, to finance development projects worked out by the locality and approved by the state. Federal loans would be conditioned on state and local financial participation, with the federal share limited to 25 per cent of the estimated cost of a single project; no federal funds would be advanced if the project would tend to cause unemployment in another area. The

money would be used chiefly to prepare land for commercial or industrial use and to construct or rehabilitate factories.

The Smith bill would also authorize $1.5 million in grants for technical assistance to distressed areas. In addition, it would amend existing housing legislation to authorize grants for planning of industrial and commercial developments. The office of Area Assistance Administrator, at assistant secretary level, would be created in the Commerce Department to handle the program for aid to distressed areas.

The Douglas bill would authorize federal loans aggregating $100 million to construct industrial or commercial plants, and another $100 million in loans and grants to develop public facilities in areas of persistent unemployment. Federal loans would be limited to not more than two-thirds of the cost of construction and to a term of not longer than 40 years.

The Labor Department would be directed by the Douglas bill to offer vocational training to unemployed persons in distressed areas. The measure would authorize payment of unemployment compensation for 13 weeks beyond the normal expiration date in the case of persons training for new jobs in labor surplus areas. Fast tax write-off benefits would be made available for companies establishing new plants in such areas.

Both the Smith and the Douglas bills are designed to promote long-term rehabilitation of areas which have failed to share in the economic progress of recent years. Smith said his bill was "not a hand-out program" but one to aid communities which are "willing to make an effort to help themselves." Douglas assailed the Smith bill as "disastrously inadequate" to meet the problems of distressed areas. Reporting of some measure to the Senate is expected, but final action hardly can be anticipated when the 84th Congress is moving through a mass of business toward adjournment.